No. 90-1659

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

October Term, 1990

BAUSCH & LOMB INCORPORATED,

Petitioner,

v.

HEWLETT-PACKARD COMPANY,

Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

S. LESLIE MISROCK*
JONATHAN A. MARSHALL
PENNIE & EDMONDS
1155 Avenue of the Americas
New York, New York 10036
(212) 790-9090
**Counsel of Record for Respondent Hewlett-Packard Company*

Of Counsel:

BRIAN D. COGGIO
JON R. STARK
STEVEN I. WALLACH
PENNIE & EDMONDS

WILLIAM H. MACALLISTER
HEWLETT-PACKARD COMPANY

Questions Presented

I. Whether a finding of *actual knowledge* of the falsity of several highly material, written submissions to the Patent and Trademark Office is *prerequisite* to a ruling that an applicant for a reissue patent had the necessary intent to deceive so as to invalidate the resulting reissue patent by reason of inequitable conduct, where the courts below agreed that

> —the applicant had submitted a declaration to the Patent and Trademark Office while having "absolutely no idea" if the averments in it were true, and had filed two affidavits rife with "blatant misstatements" and "pure fiction", but had failed to adduce any evidence whatever of its good faith;

and, the courts concluded that

> —the applicant's conduct had amounted to a "studied ignorance" of the facts and a "reckless indifference" to the truth which, "at a minimum", constituted "gross negligence".

II. Whether specific findings as to the intent of any individual officer, employee, or agent of a defendant corporation is *prerequisite* to a ruling that a corporate owner of a reissue patent application manifested an intent to deceive the Patent and Trademark Office, where the courts below agreed that the corporation, acting "through its officers, employees and/or agents", manifested such an intent.

Parties

The Respondent is Hewlett-Packard Company, which has no parent and no publicly traded, nonwholly owned subsidiaries.

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Wherever emphasis appears in this Brief, it has been added unless otherwise indicated.

Citations Of The Opinions And Judgments Below

Bausch & Lomb cites only the opinion following the trial in this case, *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 692 F. Supp. 1118 (N.D. Cal. 1988), and the decision on the first appeal, 882 F.2d 1556 (Fed. Cir. 1989), *cert. denied*, 110 S. Ct. 1125 (1990). In addition to these opinions is the crucial decision on remand, 746 F. Supp. 1413 (N.D. Cal. 1990), the *per curiam* affirmance of which is listed at 925 F.2d 1480 (Fed. Cir. 1991). These decisions are reprinted in the Appendix to Bausch & Lomb's Petition. (A 36-102 , A 7-35; A 3-6; A 1)

Statement Of The Case

Bausch & Lomb's Statement of the Case is but an expurgated and sanitized version of the course of its conduct before the Patent and Trademark Office ("PTO") during its efforts to reissue a patent ("the Yeiser patent") that did not represent any technological contribution of Bausch & Lomb, but was purchased solely to "extort a cross-license" from Hewlett-Packard. 692 F. Supp. at 1138, A 76. As part of its scheme, Bausch & Lomb sought to reissue the Yeiser patent. During this process, it recklessly submitted to the PTO a declaration and affidavits that were shot with a multitude of falsehoods. Bausch & Lomb thus violated the duty of candor and good faith it owed to the PTO, 37 C.F.R. § 1.56, and the reissue patent was declared unenforceable by the courts below. Supplementation of Bausch & Lomb's Statement is therefore necessary to understand the practices that the district court found, and the Federal Circuit affirmed, constituted inequitable conduct.

The controversy between the parties arose innocently enough in 1981, when Hewlett-Packard introduced a new line of X-Y plotters that quickly became "a commercial success that had no peers." *Id.* at 1136–37, A 73. To stay competitive, Bausch & Lomb immediately began efforts to copy the Hewlett-Packard

machines.[1] *Id.* Having experienced frustration and disappointment in failing to develop comparable plotters, Bausch & Lomb stumbled upon the Yeiser patent during a search of the patent literature it had undertaken to identify any patents that might have interfered with its plans to copy Hewlett-Packard. *Id.* at 1137, A 73-74.

In the belief that it could be useful against Hewlett-Packard, Bausch & Lomb purchased the Yeiser patent for a mere $30,000. *Id.*, A 74-75. It was apparent from the start, however, that the patent was unsuited to Bausch & Lomb's purposes in its original form because, as it had been advised, the claims of the Yeiser patent "were too damn broad". *Id.*, A 75. Consequently, on the very day that the patent was purchased, Bausch & Lomb started work on a reissue application to correct the perceived weaknesses in the patent. *Id.*; 882 F.2d at 1560, A 12.

Bausch & Lomb hoped to obtain narrower claims which specifically covered the details of Hewlett-Packard's plotters, 882 F.2d at 1559, A 10, but its underlying motive was to do whatever was necessary to make the patent useful against Hewlett-Packard. 692 F.2d at 11-39, A 77-78. The earthy admissions of George More, Bausch & Lomb's plotter division president, regarding the original Yeiser patent are particularly revealing: "if somebody had pissed on it, it would have made it better", and "my opinion would be to do anything possible that would make the patent better." *Id.* at 1138; A 77 (citing the deposition testimony). More acted on his views by executing a sworn declaration required to accompany

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[1] Bausch & Lomb admitted that the X-Y plotters it marketed in response to the devices introduced by Hewlett-Packard infringed a patent ("the LaBarre patent") owned by Hewlett-Packard. The LaBarre patent was held valid in *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 722 F.2d 595 (N.D. Cal. 1989), *aff'd*, 909 F.2d 1464 (Fed. Cir. 1990). That action is now in the damages phase.

the reissue application,[2] averring that narrower claims had been omitted in the original prosecution through "oversight", without any real investigation and without even reviewing the reissue application. *Id.* at 1139, A 78. In truth, Bausch & Lomb had no evidence to support the assertion, and no idea whether the statement was true. *Id.* 1147, 1150, A 95, 101. More had been advised by Tom Hall, vice president of the plotter division, that he need not know the nature of the oversight, and that he was better off not asking any questions. *Id.* at 1139, A 78; 882 F.2d at 1560, A 13.

Indeed, Bausch & Lomb had not contacted any of the individuals who had been associated with the original prosecution.[3] As the district court found, and the Federal Circuit affirmed:

> Without any idea of the circumstances in which the original patent was obtained, Bausch & Lomb's reissue application was submitted with reckless indifference to the statutory requirements. Bausch & Lomb *did not know* and *did not care* whether an error had been made; there was a defect and a need for reissue and any sort of averment of error was adequate.

Id. at 1148, A 97.

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[2] An applicant for a reissue patent must establish a "reissuable error": one that renders an original patent wholly or partly inoperative or invalid, but which arose without deceptive intention. 35 U.S.C. § 251. In order for the PTO to evaluate when a reissuable error exists, the regulation that implements section 251 provides, *inter alia*, that the applicant must supply an oath or declaration specifying how the error arose or occurred. 37 C.F.R. § 1.175.

[3] Yeiser, the inventor, had died several years before, but Yeiser's associates in the company that had been the original assignee, and personnel of a subsequent owner of the patent from whom Bausch & Lomb had purchased it, as well as the patent agent who had prosecuted the application, were available.

But More's fable of "oversight" did not satisfy the PTO Examiner, who rejected all the claims in the reissue application as based upon a defective declaration, requiring a detailed explanation as prescribed by 37 C.F.R. § 1.175 as to how and why the supposed oversight occurred. 882 F.2d at 1560, A 13. Having made the allegation of oversight in total ignorance of what had actually happened, Bausch & Lomb was now faced with the need to obtain facts that might support its unsupported representations. The Examiner suggested that a declaration from the attorney who wrote the original application might be in order. *Id.* Although Bausch & Lomb had never before attempted to contact anyone with personal knowledge of the original prosecution, with the reissue application under rejection, there was no choice but to comply with the Examiner's request.

Bausch & Lomb's outside attorney, Jonathan Jobe, telephoned Lawrence Fleming, the now-retired patent agent who had filed the original application. Jobe conducted no objective inquiry; he simply presented Fleming with Bausch & Lomb's conclusion of "oversight", and in essence asked Fleming how he could have made the tremendous blunder of omitting claims covering the features that Bausch & Lomb sought to obtain in reissue. *Id.*, A 13–14. Faced with this indictment of his ability and professional competence, Fleming generated "several (as it turns out) grossly inaccurate" excuses to absolve himself. 692 F. Supp. at 1140, A 81. "Yet this served B&L's purpose, forming the basis for the first Fleming affidavit." *Id.* Fleming's principal excuse was that he had been unable to get much information from Yeiser because of the limited number of contacts between them. 882 F.2d at 1560, A 14.

Based on the telephone conversation, Jobe prepared an affidavit, stressing Fleming's limited contacts and inability to communicate with Yeiser, and the lack of guidance from Yeiser or anyone else at Yeiser's business regarding the appropriate scope of the claims in the patent application. *Id.* at 1561, A 14. Bausch & Lomb was perfectly content with rationalizations from Fleming that

suited its purposes and never did anything at all to confirm Fleming's story. 692 F. Supp. at 1140, A 81. The resulting affidavit was generally consistent with Bausch & Lomb's baseless assertion of oversight, but as the Federal Circuit affirmed, it was false on all material counts. 882 F.2d at 1561, A 16.

The affidavit was submitted to the PTO, and although the Examiner accepted it in part, he persisted in his rejection, noting that the affidavit did not explain how and by whom the scope of the claims had been determined. *Id.*, A 14. Having made a baseless assertion in the original declaration, and having attempted to support it with a tale of limited contacts between the inventor and the patent agent, Bausch & Lomb was constrained by the record of its own making to provide a satisfactory explanation to the Examiner that would be consistent with the prior misrepresentations.

Once again, Bausch & Lomb turned to Fleming, this time through a telephone call from an in-house attorney, Howard Robbins, who eventually drafted a second affidavit amplifying the fabrications in the first. *Id.*, A 14–15. Specifically, the second affidavit averred that Fleming had only one brief opportunity to see a crude model of the invention; that the claim scope had been determined solely by Fleming based on that brief disclosure; that Fleming had no discussions with Yeiser regarding the scope of the claims; and that Yeiser had sold his plotter business and was not focusing on such matters. *Id.*, A 15. Putting it mildly, these representations also proved to be less than truthful. As the Federal Circuit stated, "[t]he second affidavit, like the first, contains blatant misstatements." *Id.*, A 16.

The second affidavit was submitted to the PTO to supplement the first and to overcome the rejection for a defective declaration. The Examiner reconsidered the original declaration, together with the two Fleming affidavits, and found the aggregation sufficient to satisfy the regulatory requirement for a showing of how and why a reissuable error arose or occurred.

Id., A 15. But for the misrepresentations made in those sworn submissions, the PTO would never have granted the reissue application. 882 F.2d at 1562 n.5, A 16 n.5.

The falsity of the statements in the affidavits came to light in discovery, when Hewlett-Packard uncovered notebooks kept by Fleming in the relevant period. In sharp contradiction to Fleming's averments that he and Yeiser had limited and infrequent contacts during the prosecution of the Yeiser patent, forcing Fleming to make his own allegedly erroneous determination of the proper claim scope, the notebooks show that the two men met in person, spoke on the phone, or exchanged correspondence some sixty-seven times over that period. *Id.* at 1561, A 15. Fleming's deposition testimony also establishes that Fleming had substantial guidance from Yeiser, when the two met to discuss prior art and claim strategies. *Id.*; 692 F. Supp. at 1128, A 55-56.

As the Federal Circuit succinctly stated:

> The record is unchallenged that the scenario Bausch & Lomb presented to the PTO, that Fleming misunderstood the invention and did the best he could on his own to draft the claims, contained not merely technical misstatements, but *pure fiction*.

882 F.2d at 1561-62, A 16.

The detailed findings of the district court, affirmed in their entirety by the Federal Circuit on the first appeal, delineate precisely what Bausch & Lomb did—or, more often, failed to do—in conduct so totally cavalier and irresponsible that it lead to the submission of "pure fiction" to the PTO:

— B&L *never did anything at all* to confirm the accuracy of Fleming's recollection of the original application.

692 F. Supp. at 1140, A 81.

> — Even something *as obvious* as Fleming's reference to his "old file" did not precipitate a follow-up inquiry from Jobe. In short, Jobe accepted as true, *without any corroboration*, every fact related by Fleming.

Id. at 1142, A 84.

> — In other words, even though [Robbins] was aware that Fleming had stated in the early 1970s that there was a commercial model of a Yeiser-like machine in production, [Robbins] accepted *without question* [Fleming's] statements in the reissue affidavits that Yeiser had only a crude model to help him claim the invention.

Id., A 85.

> — Like Jobe before him, Robbins failed to ask *even the most basic of questions* concerning the veracity of Fleming's statements . . . .

Id.

> — Robbins did not ask Fleming if he kept time records . . . [or] how many contacts he had with Yeiser during the application process . . . .

Id.

> — Despite the precision of the details provided by Fleming, *neither* Jobe, Robbins, *nor* Bogdon *ever* asked Fleming if he kept notebooks . . . .

Id. at 1143–44, A 88.

— In effect, Robbins never asked *the glaringly obvious question* of why [Fleming] omitted the material added by B&L in its reissue claims, *i.e.*, how was it that Fleming committed this error that was so plainly obvious to Robbins.

Id. at 1144, A 89.

— Nevertheless, Jobe and B&L drafted the original [reissue] application, in particular the declaration of George More, with a *remarkable lack of care*.

Id. at 1147, A 95.

— B&L represented to the PTO that the omission [of narrower claims] was due to "oversight" by the inventor and his agent, *even though B&L had no evidence to support the assertion. At a minimum, this was gross negligence*.

Id.

— Jobe and *all* the others at B&L *never considered investigating* whether there was [a reissuable] error because they began from the premise that the patent was defective in not claiming those elements of the invention *which B&L then wished to assert against HP and others*.

Id. at 1148, A 96.

— *Without any idea of the circumstances* in which the original patent was obtained, B&L's reissue application was submitted with *reckless indifference* to statutory requirements. B&L *did not know* and *did not care* whether an error had been made.

Id., A 97.

> — Once again, B&L was determined to obtain a reissue and *was not concerned* about whether its representations corresponded to the actual reality. *B&L clearly breached its duty to make a reasonable investigation of its representations.*

Id. at 1149, A 99.

> — When all the evidence is added up, however, all that defendants have are mere denials of intent to mislead. . . . At *every step* of the reissue process, B&L *refrained* from exerting any but the least effort in determining the truth. *"Studied ignorance" is perhaps the best way to describe B&L's position.* B&L's attorneys sought to know as little as possible about the original application proceeding.

Id. at 1150, A 101.

> — [B&L's attorneys] ignored the reference in the [Yeiser] '950 patent to the existence of commercial embodiments of the mechanism when Fleming told them he had only a crude model. They made a representation of "oversight" that was "without deceptive intent" when *they had absolutely no idea whether the statement was true.* When directed by the examiner to obtain the statement of the original patent agent, they did so, but under circumstances wherein *the agent was told he had made an error and asked for some rationalizations.* Moreover, in eliciting the rationalizations *both B&L attorneys were fastidiously careful not to ask crucial, almost painfully obvious questions* about the original patent application. And despite the fact that the

> patent agent was an elderly man being asked to recall events transpiring a decade before, B&L *never undertook* to confirm any facts provided by Mr. Fleming. *In short, the entire process was antiseptically clean and devoid of even a hint of dirt having been dislodged in the investigation. The duty of candor and good faith is not so easily discharged.* B&L has not demonstrated that it acted in good faith and the witnesses' testimony is *not credible* on that subject.

Id., A 101-02.

In addition, the Federal Circuit expressly affirmed the district court's specific finding of gross negligence, which was based on misrepresentations by B&L to the PTO that were of the highest degree of materiality:

> Although B&L also argues that it was not grossly negligent, we are unpersuaded that the explicit finding of the court to the contrary is clearly erroneous. Moreover, we agree with the court that the mistakes in the affidavits were material in that "but for" those misrepresentations, the PTO would not have granted the reissue application.

882 F.2d at 1562 n.5, A 16 n.5.

Motivated by the need to obtain a reissue patent to shield Bausch & Lomb's plotter division from the consequences of its plans to copy Hewlett-Packard's innovative X-Y plotters, Bausch & Lomb began its misconduct with the submission of the More declaration, averring oversight without deceptive intent, with "absolutely no idea whether the statement was true." 692 F. Supp. at 1150, A 101. Having started down that path, Bausch & Lomb soon found that it faced an Examiner who required detailed explanations, for which Bausch & Lomb had no responses, because

it had conducted no investigation. Consistent with More's stated willingness "to do anything to make the patent better", *id.* at 1138, A 77, Bausch & Lomb prepared affidavits to mollify the Examiner, while at every step refraining "from exerting any but the least effort in determining the truth." *Id.* at 1150, A 101. Rather than conduct a good faith investigation of the circumstances surrounding the original prosecution, Bausch & Lomb chose to proceed in "studied ignorance" while obtaining the affidavits necessary for the fulfillment of its scheme to extort a cross-license from Hewlett-Packard. *Id.* Not surprisingly, the affidavits were riddled with falsehoods.

Reasons For Denying The Writ

A. Summary Of Argument

Bausch & Lomb's Petition suggests that additional findings by the district court were necessary for a conclusion of inequitable conduct. However, there is no basis in law—or in Bausch & Lomb's flawed arguments—which would require that such additional findings be made.

Contrary to Bausch & Lomb's assertion, the law of inequitable conduct is not in any state of flux: the Federal Circuit, in a 1988 *in banc* decision, clarified the law in this area. Indeed, it was that decision, which came shortly after the trial in this action, that provided the basis for the remand ordered on the first appeal. The Federal Circuit supplied explicit remand instructions, including a thorough exposition of the law of inequitable conduct, and noted that the facts of this case were "circumstances we have held may give rise to an inference of wrongful intent". Having closely followed the specific guidance of the Federal Circuit, the district court's finding that Bausch & Lomb intended to deceive the PTO was a simple application of the law to the present facts; this provides no important question of federal law for this Court to consider. Sup. Ct. R. 10.1(c).

Given the totality of the egregious circumstances surrounding Bausch & Lomb's "gross[ly] negligen[t]" prosecution of the reissue application, and no credible evidence that Bausch & Lomb acted in good faith, it was entirely proper for the district court to find an intent to deceive on the part of Bausch & Lomb such that the reissue patent owned by that corporation is unenforceable. It was unnecessary for the district court to find that Bausch & Lomb possessed actual knowledge that the More declaration and Fleming affidavits contained so many falsehoods, because Bausch & Lomb should have known what were actually the facts. Certainly, but for Bausch & Lomb's "reckless indifference" to the truth, it would have learned the facts. Nor was there any need for the trial court to specify which individuals acting on behalf of Bausch & Lomb maintained an intent to deceive. For the purpose of determining corporate liability for inequitable conduct, the finding that there was an intent to deceive by Bausch & Lomb, acting "through its officers, employees and/or agents", was entirely sufficient.

And Bausch & Lomb's insinuations regarding Judge Aguilar merit no serious consideration. The employment of the judge's son by Hewlett-Packard was the subject of a rejected motion that Bausch & Lomb had brought to disqualify the judge. That motion was baseless, as this Court recognized when it denied Bausch & Lomb's first petition for certiorari, and the non-disqualifying fact that underlaid that motion provides no basis for granting the present Petition. Similarly, Judge Aguilar's conviction is wholly unrelated to this action, and thus furnishes no reason for this Court to exercise its supervisory authority. Sup. Ct. R. 10.1(a).

II. Argument

A. The Decision Below Represents A Straightforward Application Of Federal Circuit Precedent That Presents No Important Question For This Court

Although Bausch & Lomb attempts to depict the defense of inequitable conduct before the PTO as being in a "chronic unsettled state", Petition at 13, that simply is not so. The Federal Circuit clarified the law in *Kingsdown Medical Consultants v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (in banc), *cert. denied*, 490 U.S. 1067 (1989). In fact, that decision, which was rendered shortly after trial in this action, occasioned the remand in this case. In so remanding, the Federal Circuit gave explicit instructions for the district court to make a single "missing finding", carefully delineating the law on inequitable conduct as provided in *Kingsdown*. Because the district court scrupulously adhered to the instructions of the Federal Circuit, it neither committed a clear error nor abused its discretion. Consequently, a *per curiam* affirmance was entirely appropriate and proper. Had Bausch & Lomb truly believed that "important questions [were] raised by this case concerning the defense of inequitable conduct", it would not have passed up its opportunity to petition the Federal Circuit for rehearing *in banc*. Clearly, the gravamen of Bausch & Lomb's complaint is *not* a conflict *between* circuits such as this Court might address, but an asserted conflict *within a single circuit*. In such instance, the *only* appropriate remedy is a petition for rehearing *in banc*. Bausch & Lomb's failure to exercise this painfully evident option expose the truth of the matter—that, in fact, there was nothing extraordinary in the Federal Circuit's affirmance of the finding that Bausch & Lomb intended to deceive the PTO.

After the trial of this action, the district court held that Bausch & Lomb had committed inequitable conduct, concluding that it had acted in a manner which amounted to "studied

ignorance" and "reckless indifference", and which was "at a minimum . . . gross negligence". The court further found "not credible" the testimony of Bausch & Lomb witnesses Bogdon, Jobe and Robbins, that the company had acted in good faith. 692 F. Supp. at 1150, A 101–02.

On the first appeal, the Federal Circuit noted that the district court had not had the benefit of its decision in *Kingsdown*. 882 F.2d at 1562, A 17. The *in banc* opinion in *Kingsdown* was intended to clarify the law of inequitable conduct, not to change it,[4] the court of appeals having noted therein that

> [s]ome of our opinions have suggested that a finding of gross negligence compels a finding of intent to deceive. Others have indicated that gross negligence alone does not mandate a finding of intent to deceive.
>
> . . . We adopt the view that a finding that particular conduct amounts to "gross negligence" does not of itself justify an inference of intent to deceive; the involved conduct viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.

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[4] Bausch & Lomb incorrectly states that *Kingsdown* changed the inequitable conduct case law. Petition at 10–11. The Federal Circuit has itself stated that the *in banc* decision was merely a clarification of certain of its previous decisions. 882 F.2d at 1562, A 17; *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 937 (Fed. Cir. 1990).

Kingsdown, 863 F.2d at 876 (citations omitted). Accordingly, to the extent that the law of inequitable conduct may have been in a "chronic unsettled state", *Kingsdown* provided the cure.[5]

Also on the first appeal in this action, the Federal Circuit affirmed all of the district court's findings, but vacated the district court's judgment on inequitable conduct in light of *Kingsdown* only because the court below had not explicitly made a finding on the question of intent to mislead or deceive:

> From a close reading of the district court's rulings, we conclude that the court misunderstood our precedent with respect to the correct legal standard for resolving the issue of inequitable conduct. The district court did not have the benefit of the recent clarification by this court in *Kingsdown*, which explained that a finding of gross negligence in itself is insufficient to support a holding of inequitable conduct.
>
> . . . .
>
> Although the district court here characterized B&L's conduct as evidencing a "[s]tudied ignorance" of the facts and a "reckless indifference" to the truth, and further noted the

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[5] At pages 12-13 of its Petition, Bausch & Lomb notes that the Federal Circuit has criticized some charges of inequitable conduct as being part of a "plague", *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988), suggesting that this plague is the result of the unsettled state of inequitable conduct law. In fact, however, the Federal Circuit was referring only to some "[r]eputable lawyers [who] seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds". *Id.* at 1422. Obviously, the decision on the first appeal and the *per curiam* affirmance of the decision of the district court on remand demonstrate that the Federal Circuit did not consider the inequitable conduct charge against Bausch & Lomb in the present case to be part of any "plague".

> complete absence of evidence of good faith (*circumstances we have held may give rise to an inference of wrongful intent*), the district court *did not actually make a finding that B&L intended to mislead the PTO*. Relying on earlier precedent of this court, the district court apparently understood that it was unnecessary to go beyond a finding of gross negligence. That understanding was legal error. A finding of intent to mislead is necessary.

882 F.2d at 1562, A 17-18 (citations omitted). The Federal Circuit went on to rule that a remand was required, *id.* at 1562-63, A 18, citing the admonition of *Pullman-Standard v. Swint*, 456 U.S. 273, 291 (1982): "When an appellate court discerns that a district court has failed to make a finding because of an erroneous view of the law, the usual rule is that there should be a remand for further proceedings to permit the trial court to make the missing findings".

Thus, on the first appeal, the Federal Circuit concluded: "In accordance with that general rule, we vacate the court's judgment on inequitable conduct and remand for the district court to provide the 'missing finding' of intent or no intent and to enter a new judgment on the issue of inequitable conduct." 882 F.2d at 1563, A 18.

The Federal Circuit further provided for the benefit of the district court the following explication of the correct legal standard for inequitable conduct in light of *Kingsdown*, instructing that the court use its sound discretion in determining whether the inference of "intent to deceive" was warranted:

> Inequitable conduct requires a finding of an intent to mislead or deceive the PTO. *Such intent usually can only be found as a matter of inference from circumstantial evidence*. . . . [G]rossly negligent conduct may or may not compel an

> inference of an intent to mislead. *Such an inference depends upon the totality of the circumstances*, including *the nature and level of culpability of the conduct* and the *absence or presence of affirmative evidence of good faith.*

882 F.2d at 1562, A 17.[6]

On remand, the parties submitted and signed appropriate cross-motions 746 F. Supp. at 1414, A 4, whereupon the district court made the "missing finding":

> GOOD CAUSE appearing therefor, the Court HEREBY FINDS that Bausch & Lomb, through its officers, employees and/or agents, manifested and maintained an intent to deceive the Patent and Trademark Office during the Yeiser reissue application process.

Id., A 4–5.[7]

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[6] Under *Kingsdown*, abuse of discretion is the standard of review of a district court's holding of inequitable conduct: "As an equitable issue, inequitable conduct is committed to the discretion of the trial court and is reviewed by this court under an abuse of discretion standard. We, accordingly, will not simply substitute our judgment for that of the trial court in relation to inequitable conduct." 863 F.2d at 876.

[7] Bausch & Lomb states that "[t]he trial court provided no explanation how it could reconcile this new finding with its own earlier finding, when it had denied HP's attorney fee motion, that it did not conclude that B&L *deliberately* concealed or misrepresented the truth to the PTO." Petition at 12. But there is really no such problem because "intent to deceive"—the level of culpability sufficient for a finding of inequitable conduct—encompasses conduct which is less egregious than the level of culpability needed for an award of attorney fees, which in turn is still less than that which constitutes the "intentional deception" or "deliberate misconduct" needed to support a finding of common law fraud. *See* 882 F.2d at 1563, A 18–19; *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d

(continued...)

The district court gave painstaking consideration to the proper legal standard for determining the existence of inequitable conduct had been as delineated by the Federal Circuit:

> In making this additional finding, *the Court has considered the totality of the circumstances*. *See Hewlett-Packard*, 882 F.2d at 1562 [A 17]. In particular, the Court relies upon the facts supporting the Court's prior conclusions that *B&L's conduct amounted to a "studied ignorance" of the facts and exhibited a "reckless indifference" to the truth*. The Court also bases its finding on the *complete absence of evidence of good faith*.
>
> While there is no direct proof that B&L's patent attorneys intended to deceive the PTO, *the facts referred to above, together with the evidence supporting the Court's finding of gross negligence, create an unmistakable inference that B&L intended to mislead the patent examiner* during the Yeiser reissue application process. *See Id.* ("a 'studied ignorance' of the facts and a 'reckless indifference' to the truth" and a "complete absence of evidence of good faith" are circumstances that "may give rise to an inference of wrongful intent"), *citing FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987).

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[7](...continued)
1553, 1559 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985) ("Conduct before the PTO that may render a patent unenforceable is broader than 'common law fraud'. . . . It includes . . . ***submission of false material information***, with an ***intent to mislead***"); *Argus Chemical Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1386 (Fed. Cir. 1987) (Nies., J., additional views) (different levels of misconduct for inequitable conduct, for an award of attorney fees, and for common law fraud that will support an antitrust claim).

> Moreover, *these findings lead to the conclusion that B&L is guilty of inequitable conduct* during the Yeiser reissue application process.

Id., A 5 (footnote omitted).

On remand, the district court drew an inference of Bausch & Lomb's intent to mislead or deceive the PTO. That inference was based upon a consideration of the totality of the circumstances, including (1) the nature and level of culpability of Bausch & Lomb's conduct—a "studied ignorance" of the facts and a "reckless indifference" to the truth, but for which the reissue patent would not have issued—and (2) the complete absence of affirmative evidence of good faith.

It is beyond dispute that the Federal Circuit remanded *solely* for the district court to make a single missing finding, based on facts already found and affirmed, and *only because* the lower court had applied an incorrect legal standard. On remand, the district court applied the proper legal standard and actually found an intent to deceive. Having closely followed the instructions and guidance of the Federal Circuit regarding the law on inequitable conduct, the manner in which the district court made the finding of an intent to deceive was certainly not clearly erroneous; nor was there any abuse of discretion in its holding that Bausch & Lomb had committed inequitable conduct.

Bausch & Lomb not asserts that "[i]t was an abandonment of its duty for the Federal Circuit to fail to provide an opinion by providing a *per curiam* decision which leaves the rationale for deciding these questions a mystery at both the lower court and appellate levels." Petition at 14–15. But there really is no mystery. The Federal Circuit remanded for the district court to draw from the existing record an inference of intent or no intent to mislead the PTO, explicitly stating that the previous findings were "circumstances we [the Federal Circuit] have held may give rise to an inference of wrongful intent". 882 F.2d at 1562, A 17.

That is just what the district court did. On the second appeal, the Federal Circuit merely applied its Rule 36 which provides:

> The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following circumstances exist:
>
> (a) the judgment, decision or order of the trial court appealed from is based on findings that are not clearly erroneous;
>
> . . .
>
> (e) a judgment or decision has been entered without an error of law;
>
> and an opinion would be of no precedential value.

The district court's careful decision following remand was based on findings not clearly erroneous (indeed, they had been affirmed) and was entered without an error of law.

Again, the case as presented by Bausch & Lomb is one of an asserted conflict within a single circuit. Had Bausch & Lomb truly felt that the Federal Circuit had significantly departed from precedent, it could have and should have petitioned *that court* for rehearing *in banc*. Bausch & Lomb's failure even to seek such an obvious remedy is mute but eloquent testimony to the fact that there is no important question of federal law for this Court to consider. Sup. Ct. R. 10.1(c).

B. It Is Sufficient To Support A Ruling Of Inequitable Conduct That Bausch & Lomb Should Have Known It Was Submitting Falsehoods To The PTO, And There Was No Need To Measure Specifically The Intent Of Each Agent Of The Corporation In Order To Hold The Corporation Liable

The district court reviewed the totality of the circumstances surrounding Bausch & Lomb's conduct, including the complete absence of any evidence of good faith, and determined that Bausch & Lomb had acted inequitably. Nothing more was required to establish the culpability of Bausch & Lomb as a corporation. The applicable law does not require proof of actual knowledge that the More declaration and the Fleming affidavits were permeated with falsehoods; under the facts of this case, Bausch & Lomb should have known that it was submitting "pure fiction" to the PTO, and would have learned the actual facts had its "officers, employees and/or agents" not universally practiced "studied ignorance". It was also unnecessary for the courts to assay the level of intent of each actor in order to find that the corporation committed inequitable conduct. Such an exercise is immaterial to a determination that inequitable conduct in procuring a reissue patent should render the resulting patent unenforceable.[8]

Bausch & Lomb now argues that for it to be held liable, it had to have possessed actual knowledge that the information in the declaration and affidavits contained "blatant misstatements", and that the trial court "boot-strapped intent to deceive from the same findings of 'studied ignorance' of the facts and a 'reckless indifference' to the truth that he had relied on for gross negligence." Petition at 15. But the case upon which Bausch &

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[8] Bausch & Lomb argues in defense of the reputation of the individual actors, but this is the wrong forum for such considerations. That question will be properly addressed only should the PTO determine to institute disciplinary proceedings against any of the individuals in question. See footnote 10, infra.

Lomb relies at page 16 of its Petition actually supports the correctness of the finding of wrongful intent:

> Gross negligence cannot elevate itself by its figurative boot-straps to an intent to mislead based on identical factors used to establish gross negligence in the first instance *unless all the facts and circumstances indicate sufficient culpability*. An applicant's conduct *in its entirety* must "manifest[] a sufficiently culpable state of mind to warrant a determination that it was inequitable."

Halliburton Co. v. Schlumberger Technology Corp., 925 F.2d 1435, 1443 (Fed. Cir. 1991) (quoting *Consolidated Aluminum Corp. v. Fonseco Int'l, Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990)). In the present case, the district court in fact "considered the totality of the circumstances", including "the complete absence of evidence of good faith" on the part of Bausch & Lomb. 746 F. Supp. at 1415, A 5. Clearly then, under the *Haliburton* test, the finding of intent to deceive hardly involved any "boot-strapping".

Bausch & Lomb recognizes that Federal Circuit precedent holds that an intent to deceive may be found when an applicant "cultivate[s] ignorance" of material information. *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987). However, it argues that the district court's

> conclusion of intent to deceive, based on equating his conclusion of "studied ignorance" to the reference in *FMC v. Hennessy* that "one should not be able to cultivate ignorance," makes a giant leap from should-have-known to intent-to-deceive that extends the inequitable conduct law far beyond Federal Circuit precedent.

Petition at 17.

Again, Bausch & Lomb is simply wrong. The Federal Circuit *in this very case* established that under the present facts, "studied ignorance" and "reckless indifference" is tantamount to the cultivating of ignorance criticized by that court in *FMC v. Hennessy*! The Federal Circuit did this explicitly in its opinion on the first appeal as well as in its *per curiam* affirmance on the second appeal. In the former, the Federal Circuit held that Bausch & Lomb's studied ignorance of the facts, reckless indifference to the truth, and complete absence of good faith are "circumstances we have held may give rise to an inference of wrongful intent". 882 F.2d at 1562, A 17–18 (citing *FMC Corp. v. Hennessy*, 836 F.2d at 526 n.6).[9] Thus, the district court hardly made a "giant leap" in finding that Bausch & Lomb intended to deceive the PTO, but merely followed closely the path illuminated by Federal Circuit case law.

Moreover, the present case does not require that individual employees of Bausch & Lomb be examined separately to determine precisely what level of intent to deceive might be attributed to any or all of them. Hewlett-Packard, as a member of the public that Bausch & Lomb charged with infringing the Yeiser patent, is concerned only with whether the conduct of that corporation, acting through its officers, employees, and/or agents, was sufficiently culpable as to render the corporation's conduct inequitable and to render the patent owned by that corporation unenforceable. While perhaps pertinent to a determination of whether and which Bausch & Lomb attorneys should be disciplined

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[9] In addition, another Federal Circuit precedent, *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411 (Fed. Cir. 1987), has discussed the "should have known" factor. There, the Federal Circuit stated that "an applicant must be chargeable with knowledge of the materiality of the art or information; yet an applicant who knew of the art or information *cannot intentionally avoid learning* of its materiality through gross negligence, i.e., it may be found that the applicant 'should have known' of that materiality." *Id.* at 1415.

for misconduct,[10] this is the wrong case and the wrong forum for such concerns.

The district court found and the Federal Circuit affirmed *per curiam* that "Bausch & Lomb, through its officers, employees and/or agents, manifested and maintained an intent to deceive the Patent and Trademark Office during the Yeiser reissue application process." 746 F. Supp. at 1414, A 5. Since the only relevant question had to do with Bausch & Lomb's liability as a corporation regarding its conduct in obtaining a reissue of a patent, that finding was sufficient and proper to support fully the conclusion that Bausch & Lomb's conduct was inequitable.

C. Bausch & Lomb's *Ad Hominum* Attack Upon The Trial Judge Is Graceless, Desperate, Irrelevant, And Provides No Basis For Review By This Court

Bausch & Lomb's arguments regarding Hewlett-Packard's employment of Judge Aguilar's son and the judge's recent conviction represent a final act of desperation that clearly exposes Bausch & Lomb's dire straits.

Bausch & Lomb had previously contended that because Judge Aguilar's son was one of 83,000 Hewlett-Packard employees, the judge should have recused himself and certain of

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[10] If the issue ever arises, PTO disciplinary proceedings provide the proper forum for any determination of a breach of professional responsibility on the part of individuals. *See* 37 C.F.R. § 10.132(a). Certainly, if such proceedings are ever initiated, each of Bausch & Lomb's attorneys will have ample opportunity to defend, and avoid any "tar[ring of] a group of individuals with a collective intent to deceive . . . [that would be] grossly prejudicial to individually innocent attorneys." Petition at 20. In this case, it would be unjust indeed if a mere concern for the personal reputations of Bausch & Lomb's attorneys could somehow suspend the law and permit Bausch & Lomb to enforce against the public a reissue patent it had procured through inequitable conduct.

his prior decisions should have been vacated.[11] But the Federal Circuit confirmed that recusal was entirely unwarranted, and this Court denied Bausch & Lomb's petition for certiorari on that issue. 882 F.2d at 1569, A 33, *cert. denied*, 110 S. Ct. 1125. Any allusion to this discretided line of attack should be unavailing.

Similarly, Judge Aguilar's *post hoc* criminal conviction is entirely unconnected to the record of this case and thus provides not the slightest prejudice to Bausch & Lomb.[12] Although Bausch & Lomb maintains that "the crucial, case-deciding questions raised before him and on this petition *were totally ignored in his opinion*", Petition at 14, such protestations ring hollow. Not only did Judge Aguilar carefully follow the remand instructions and guidance in the Federal Circuit's opinion following the first appeal, but Bausch & Lomb had a full opportunity to present its arguments regarding any perceived "crucial, case-deciding questions" to the Federal Circuit on the second appeal; it also passed up the opportunity to have those issues considered by the court *in banc*.

Most importantly, the Federal Circuit, although well aware of Judge Aguilar's unfortunate circumstances, found no reason to upset his opinion following the remand in this action. Therefore,

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[11] It is revealing of Bausch & Lomb's motives that it never urged vacatur of a decision that Judge Aguilar rendered *in its favor*, which confirmed that Bausch & Lomb owned all right and title to the Yeiser patent. Had that decision been in Hewlett-Packard's favor, the present action would have been rendered moot and the entire controversy between the parties would have ended long ago. More recently, on May 24, 1991, Bausch & Lomb argued that District Judge Ware, who is presiding over certain aspects of this case, should adopt Judge Aguilar's findings that denied Hewlett-Packard's motion for attorney fees. The pattern is painfully evident: Bausch & Lomb attacks Judge Aguilar only when its interests are served—i.e., when the Judge has ruled against Bausch & Lomb.

[12] Bausch & Lomb's citation to a press report not contained in the record should be ignored by this Court. If this Court does decide to consider any such press reports, it should also consider *If All Else Fails, Blame the Judge*, Wall St. J., July 15, 1988 at 17, col. 2.

it is merely a final, desperate, ungracious act for Bausch & Lomb to assert that in this action "a United States court of appeals . . . has so far departed from the accepted and usual course of judicial proceedings, or sanctioned such a departure from a lower court, as to call for an exercise of this Court's power of supervision." Sup. Ct. R. 10.1(a). As with its earlier petition in this case, there absolutely is no reason to grant Bausch & Lomb's present petition for a writ of certiorari.

Conclusion

For the reasons presented, the petition for a writ of certiorari should be denied.

Respectfully submitted,

S. Leslie Misrock*
Jonathan A. Marshall
**Counsel of Record for Respondent*

Of Counsel:

Brian D. Coggio
Jon R. Stark
Steven I. Wallach
PENNIE & EDMONDS

William H. MacAllister
HEWLETT-PACKARD COMPANY